(2)

IN THE

Supreme Court of the United States

OCTOBER TERM, 1945.

No. 316

MINNIE E. SHARP, INDIVIDUALLY AND AS EXECUTRIX OF THE ESTATE OF WILLIAM E. SHARP, DECEASED,
Petitioner,

vs.

GRIP NUT COMPANY, FRANCIS H. HARDY, CHESTER D. TRIPP AND THOMAS G. DEERING,
Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

BERNARD A. SCHROEDER,
CHARLES J. MERRIAM,
GEORGE A. CHRITTON,
Counsel for Respondents.

CHRITTON, WILES, SCHROEDER, MERRIAM & HOFGREN,
2800 Board of Trade Bldg., Chicago,
Attorneys for Respondents.

THE BLAKELY-WARREN PRINTING COMPANY, 810 WEST JACKSON, CHICAGO

INDEX.

CASES CITED.

IN THE

Supreme Court of the United States

OCTOBER TERM, 1945.

No. 316.

MINNIE E. SHARP, INDIVIDUALLY AND AS EXECUTRIX OF THE ESTATE OF WILLIAM E. SHARP, DECEASED,
Petitioner,

vs.

GRIP NUT COMPANY, FRANCIS H. HARDY, CHESTER D. TRIPP AND THOMAS G. DEERING,
Respondents.

BRIEF OF RESPONDENTS IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

To the Honorable Chief Justice and Associate Justices of the Supreme Court of the United States:

SUPPLEMENTAL STATEMENT OF THE MATTER INVOLVED.

The facts can best be understood by reference to the findings of the District Court (T. 523-527), which were carefully reviewed by the Court of Appeals in its opinion (T. 668) and found to be fully supported by the evidence.

The first question, presented on page 7 of petitioner's

brief, is whether the facts in the present case require an exception to the well established rule of shop rights as laid down by this Court in the case of *United States* v. *Dubilier*, 289 U. S. 178.

Questions 2, 3 and 4 rest on assumptions of fact that are directly contrary to the findings of the District Court and the Court of Appeals. The lower courts agreed that all of the patented inventions were developed and perfected by using the employer's time, facilities or materials.

With reference to question 4, the courts below not only found that the contract with Anderson was in force at the time he made his inventions, but the Court of Appeals, after inquiring into the point specifically at the oral argument, decided that Grip Nut Company paid the royalties provided for in the contract up to the time of Anderson's resignation in 1937, and, in accepting his resignation, agreed to continue the Anderson royalty payments (T. 671).

There is no dispute that William E. Sharp received as compensation from 1914 to 1918 an annual salary of $10,000, certain commissions, and stock which petitioner claims is now worth $200,000. Under the contract of 1918 he received an annual salary of $15,000, plus twenty-five per cent of the net profits in excess of $100,000 per year. From October 1, 1923, to September 30, 1930, inclusive, he received $20,000 per year; for 1931 and 1932, $12,000 per year; and for 1933, $9,600. During the early part of his employment he was made President and a Director of the Grip Nut Company, and throughout the entire period he was its chief executive officer, he was in complete charge of its manufacturing, sales and patent policies and, until his death in June, 1934, had full knowledge at all times of its plans. He was succeeded in 1934 by his son, John Sharp, who was chief executive officer and was President and a Director until he left the Company in 1940. No objection was made to the use of the inventions by the Company, nor was there any claim for royalties until after John Sharp left the Company in 1940.

ARGUMENT.

Respondent Grip Nut Company does not claim ownership of the William E. Sharp inventions, but because the inventions were made during his employment by the Company, with the Company's materials and facilities and were put into use by the Company under his direction, respondent has a shop-right to continue to use the inventions. Petitioner's statement on page 13 is clearly wrong when it says:

> "It is unimportant to the respondent whether or not it ever owned the patents. It has always enjoyed the equivalent of full ownership."

On the contrary, respondent's position is the same legally as though the patents had never been issued.

A patent merely gives the owner the right to exclude others from using the invention. Respondent has never had that right and that right has never been "placed at its disposal." It merely has the right to continue what it is doing, with immunity from infringement. A patent owner, on the other hand, can grant licenses to competitors of the employer, he can sue to recover damages from infringers and enjoin further infringement, and he is at liberty to sell the patent to the employer, or to anyone who wishes to buy it, subject only to the shop-right. The company is not charged with any interference with the employee's exercise of his patent rights. If William E. Sharp felt that he should not grant licenses because of his stock interest, his election not to grant licenses was of his own making.

Petitioner admits on page 12 that this Court in the *Dubilier* case "expounded at length and with great clarity" the subject of shop-rights. It is not denied that the courts below followed the law of shop-right, as laid down in that case (*United States* v. *Dubilier*, 289 U. S. 178).

Petitioner urges, however, that an exception should be made in the case where the employee-patentee is also a substantial stockholder in the employer-corporation, because exercise of the employee's right as patent owner to sell or license the invention to competitors might diminish the value of his stock. Under such circumstances, petitioner urges, not (as might reasonably be urged) that the employer should have the entire patent right, but that it should not have even a shop-right. No decision of any court is cited for that novel proposition. If petitioner's view were adopted, the entire law of shop-right would be defeated when the employee owns some interest in the employer.

It is interesting to follow petitioner's reasoning in almost any direction. It would be dangerous for an employer to have any employee who is also a stockholder. The employer would not be able to deal at arms' length with any stockholder.

> If the president of a company owns stock, he might say:
>
> "The company cannot legally remove me as president, because without my capable leadership the value of my stock in the company would be less."

Under the Dubilier rule an employer has a royalty-free shop-right or license in an invention made by an employee on the employer's time and at his expense. Both lower courts have found that the William E. Sharp inventions were so made, on the time and at the expense of the Grip Nut Company.

Petitioner urges that the employer's shop-right should be denied where the employee happens to own a substantial and valuable interest in the stock of the employer. The basis of that argument, however, is that the stock will be worthless or greatly diminished in value unless the employer has the exclusive use of the inventions.

The argument obviously defeats itself. If Grip Nut Company needed the exclusive use of the inventions, William

E. Sharp's stock would not have been *increased* in value by denying any shop-right to Grip Nut Company. On the contrary, that would make the stock worth *less*.

To put it conversely, an inventor who owns stock in an employer-corporation has the value of his stock increased by the granting of the shop-right. He is better off because of the shop-right than an employee-inventor who does not own stock. It is obvious that an employee's ownership of stock does not prevent the employer from acquiring the usual shop-right in inventions which the employee makes with his employer's time, labor and material.

Petitioner's questions 2 and 3 are based on attacks on the concurrent findings of the courts below. It was held by both courts below that the patented inventions were developed and perfected by the Grip Nut Company with its time, labor and materials. The inventions were commercialized by the Grip Nut Company under the direction and control of William E. Sharp, the president of the Grip Nut Company. Grip Nut Company even paid the patent expense of obtaining the John Sharp patents. See Finding 14 (T. 526).

Question 4 is also based on an attack on the findings below. See Findings 12 and 13 (T. 525-526). Anderson was under contract to assign his inventions to Grip Nut Company, and he was to receive a five per cent royalty. The inventions were made while the contract was in force and, although William E. Sharp, the president of the Grip Nut Company arranged to have the patents assigned to himself personally, the Court of Appeals found that Grip Nut Company paid the royalties and (when Anderson resigned in 1937) agreed to continue the payments of royalty. (See Grip Nut Company letter of March 13, 1934, to bookkeeper Jones of the Grip Nut Company from William E. Sharp, president; letter of October 11, 1937 to Anderson from the Company, signed by John Sharp for the Company (T. 434); and the Court of Appeals decision at top of T. 671).

Conclusion.

There being no conflict in any of the decisions, and there being no new questions of law or of public interest involved, the petition for a Writ of Certiorari in this case should be denied.

Respectfully submitted,

BERNARD A. SCHROEDER,
CHARLES J. MERRIAM,
GEORGE A. CHRITTON,
Counsel for Respondents.

CHRITTON, WILES, SCHROEDER, MERRIAM & HOFGREN,
2800 Board of Trade Building, Chicago, Ill.,
Attorneys for Respondents.

Sept. 5, 1945.